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ABSTRACT

A study by the United States General Accounting Office found that successful organizations incorporate in their capital budgeting process extensive links between planning and budgeting, up-to-date information on existing capital facilities, and consideration of long-term effects in making capital budgeting decisions. This paper recommends the adoption of a "Capital Improvements Programming" (CIP) methodology in the New Orleans Public Schools (Louisiana). CIP is the process of planning, proposing, evaluating, prioritizing, scheduling, financing, and managing capital improvements over a specified period, usually 5 years. Eleven examples indicative of current problems in capital planning and budgeting are cited. The report next outlines the steps involved in adopting the CIP: (1) procedureal framework, (2) survey of existing buildings, (3) status of previously approved projects, (4) evaluation of project requests, (5) financial analysis, (6) budget adoption, (7) monitoring implementation, and (8) public and staff participation. References are included. (MLF)

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CAPITAL IMPROVEMENTS PROGRAMMING

A Proposal For A Revised Process

To Develop The Annual Capital Budget

For The Orleans Parish School Board

Revised

April 23, 1984

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I. INTRODUCTION

A 1981 study by the U. S. General Accounting Office (GAO) of federal capital budgeting procedures examined a variety of state and local governments, private institutions, and federal agencies to determine how an organization can be successful in capital budgeting. The study defined a successful organization as "one that can, even under adverse conditions, acquire and/or maintain physical capital without jeopardizing its mission or its clientele." Adverse conditions include "declining resources, political instability, or severe conflict among interest groups."

The GAO study found that very success organizations incorporate certain critical elements in their capital budgeting process, including the following:

1. Extensive links between planning and budgeting.
2. Up-to-date information on existing capital facilities.
3. Consideration of long-term effects in making capital budgeting decisions.

The purpose of this paper is to recommend the adoption of a Capital Improvements Programming (CIP) methodology in the New Orleans Public Schools. CIP is the process of planning, proposing, evaluating, prioritizing, scheduling, financing, and managing capital improvements over a specified period of time, usually 5 years. In CIP, there are three key terms:

1. A capital project is any major project requiring the expenditure of funds for the purchase, construction, replacement, development, renovation, or other improvements of a physical asset if the project has a useful life in excess of one-year and has a significant monetary value for the district.

2. The capital budget is the annual budget for implementation of the Capital Improvements Program, enumerating the capital projects to be financed during the fiscal year specified in the budget and projecting multi-year cost needs of projects adopted in the current or prior years.

3. The operating budget is the annual budget of the expenditures for on-going and recurring services to be provided to the community by the Board during the fiscal year specified in the budget.

The functions of Capital Improvements Programming in governmental institutions include the following:

1. Linking the organization's capital projects and budget to its long-term comprehensive plans.
2. Improving the organization's fiscal policy.
3. Identifying and correcting deficiencies in the organization's physical assets.
4. Producing cooperative and coordinated planning among units within the organization.
5. Ensuring that facilities and other physical assets are available when needed and at the most feasible cost.
6. Protecting the organization from pressure groups demanding pet projects of low overall priority to the organization.
7. Projecting the demands created upon future operating budgets by planned capital projects.

In a recent study of Louisiana's capital budget process, the Public Affairs Research Council (PAR) outlined seven key elements in a successful capital improvements program. These elements are as follows:

1. A legal and administrative framework for developing a capital program and budget.
2. An inventory of existing physical assets, including information on the age, condition, and use of each.
3. The status of previously approved projects.
4. A procedure to evaluate project requests.
5. Financial analysis and programming.
6. Formal adoption of the CIP and annual capital budgets.
7. Procedures to monitor the implementation of the approved capital budget.

As the PAR report states, "Capital projects usually are costly long-term investments, and mistakes are preserved in concrete." Adoption of a Capital Improvements Programming model would minimize the chances of the Orleans Parish School Board making such mistakes and would lead to improved educational effectiveness and efficiency as facilities more appropriately support academic programs.

The CIP model described herein began as a position paper filed by the Department of Planning on August 20, 1983. Shortly thereafter the Superintendent appointed a CIP Steering Subcommittee of the Superintendent's Management Team to review the proposal and to translate its framework into administrative practice. This proposal represents the Subcommittee's collective efforts.

II. EXISTING PROCESSES

The existing capital budget process is being carried out by staff members in good faith and with purposeful action. However, the process must be revised in order for the district to fully accomplish the School Board's Aims and Goals. The following examples are indicative of current problems in capital planning and budgeting:

1. At least three different divisions have submitted agenda items to the Board during FY 1982-83 to fund capital projects not included in the capital budget for the fiscal year. To date, that budget has been revised by the Board only due to a sale of surplus property although the Board has, upon staff recommendations, approved other new capital expenditures. These agenda items often used language such as "Funds are available in the Capital Projects Budget." Essentially, the capital budget accounts have been treated as available revenue rather than as expressions of planned priority projects.
2. The "blue book" and other capital "plans" currently being implemented are not the results of a comprehensive school facilities survey. A major shortcoming of the existing facilities data base is the lack of information on how well existing facilities support the instructional and other programs housed therein. Existing data is limited to certain facets of physical condition and utilization.
3. There is no time line for the capital budget process. For example, two units requested on June 13, 1983, that new buildings be built to house their programs for the 1983-84 school year.

4. Projects are not being evaluated and prioritized across divisions. For example, the Division of Facility Planning and Construction prioritizes roof repairs, the Department of Planning prioritizes classroom additions, the Special Educational Service Unit prioritizes new special education facilities, etc. There is no process to determine logically which roofs should be done before which classroom additions, or which division's new construction should be built first.
5. Estimates of annual operating and maintenance costs are not made during capital budget planning. Hence, the impacts of capital projects upon future operating budgets are unknown.
6. Renovation projects (labeled as "maintenance") and new construction are planned separately. Consequently, no determination is made, except in limited cases, as to when new construction would be more efficient than renovation.
7. There is currently no consistent differentiation between projects to be completed by the Department of Maintenance Services or by the Division of Facility Planning and Construction.
8. Several capital projects have been conceptualized, planned, and budgeted under crisis and/or pressure situations.
9. The focus of attention has been placed upon development of a capital budget, rather than upon development of a plan to which the budget will be pursuant.
10. The useful lives of facility components and bus fleets are not used to program replacement in advance of need.
11. Information on the scope of capital projects is limited in the current documents submitted to the Board during budget approval.

A careful reading of the aforementioned problems reveals that the issues addressed are actually procedural in nature. In fact, the current state of affairs includes the following highly positive elements that indicate a great potential for very successful application of CIP:

1. A strong commitment by the Board to comprehensive long-range planning.
2. A deep personal dedication by division heads responsible for capital projects to upgrade facilities so as to make the environments in our schools more conducive to the education, health, and safety of our children.
3. Divisional willingness to prioritize projects within their own request lists.
4. The availability of capital funds from the 1980 sales tax.
5. Business and community groups that are generally supportive of decisions, even controversial decisions, when made under sound fiscal and planning policies.
6. A general recognition that the existing process should be improved.

It is therefore concluded that Capital Improvements Programming can be successfully applied to the New Orleans Public Schools and will lead to a more effective and efficient system of upgrading and expanding the school district's physical assets.

III. PROPOSED PROCESS

It is herein proposed that the Orleans Parish School Board adopt a Capital Improvements Programming (CIP) process incorporating the key elements identified in the PAR report. This process is outlined below.

A. Procedural Framework

1. This CIP process should be approved by the Superintendent and presented to the Board for its approval.
2. The effort shall be directed by a CIP Team consisting of the Director of Planning, the Deputy Superintendent, the Assistant Superintendent for Facility Planning and Construction, the Associate Superintendent for Finance and Auxiliary Services, the Area Associate Superintendents, the Associate Superintendent for Educational Programs, or their designees. The CIP Team shall collectively develop and monitor a capital improvements program.
3. Individual CIP Team members shall have the following responsibilities:

   a. Planning:
   - -Coordination of team and chairing its meetings.
   - -Coordination of evaluation of requests across divisions.
   - -Evaluation of proposed projects for consistency with long-range comprehensive plans.
   - -Coordination of monthly reports to CIP Team.
   - -Projection of demand for facilities.

-Identification of proposed site acquisitions.

-Implementation of projects involving acquisition of property.

b. Facility Planning and Construction:

-Identification of proposed facility replacements and/or major renovations.

-Evaluation of proposed projects based upon considerations of design and physical condition.

-Estimation of costs of projects.

-Determination of technical feasibility of requests.

-Implementation of budgeted projects invoiving construction and/or major renovation.

c. Finance and Auxiliary Services:

-Determining fiscal procedures and recommending related policies.

-Review of cost estimates.

-Determining availability of funds.

-Implementation of projects involving the Departments of Maintenance and/or Procurement.

d. Deputy Superintendent:

-Representation of the Superintendent.

-Coordination of public information and involvement.

-Coordination of policy development and revision.

e. Area Associate Superintendents:

-Representation of principals and schools.

-Participation in project identification and priority setting.

f. Associate Superintendent for Educational Programs:

-Evaluation of projects for consistency with State Bulletin No. 741, with local curriculum planning cycles, and with other educational policies and regulations.

-Participation in project identification and priority setting.

4. A concise Capital Improvement Project Request Form shall be developed by the Department of Planning for use in initiating consideration for funding. Through this form, all principals and unit heads may request projects for funding. This form should include spaces for the following types of information:

   a. Unit requesting the project
   b. Unit priority rank of the project
   c. Type of project
   d. Project title
   e. Project location
   f. Project description
   g. Justification for project
   h. Status of the project
   i. *Estimated useful life
   j. Anticipated starting and completion dates
   k. *Estimated costs
   l. *Estimated annual capital costs for project
   m. *Estimated annual operational and maintenance costs
   n. Signature of requesting person
   o. Signature of unit head

   Items marked with an asterisk (*) shall be completed by the Division of Facility Planning and Construction and reviewed by the Division of Finance and Auxiliary Services during the evaluation of the project request.

5. All units shall submit CIP Request Forms to the Director of Planning prior to January 1 preceding the fiscal year in which the project would being. Exceptions shall be granted only for emergencies in order to force units to plan anticipated needs more effectively.

6. Regardless of potential funding source, all of the following shall be considered as capital projects and follow the CIP procedures.

   a. New construction of any building and/or additions to existing buildings.

   b. Large-scale renovation of existing buildings.

   c. Retrofit of existing buildings to accommodate changing program or facility needs.

   d. Modification to buildings if the modifications change either the use, capacity, or value of buildings.

   e. Major repairs to or replacement of building components that preserve school district property, such as new roofs, heating or air-conditioning components, rewiring, waterproofing, etc.

   f. Acquisition of new land or buildings.

   g. Purchase of school buses.

   h. Purchase or construction of major equipment systems installed into buildings.

   i. Projects designed to meet, in several facilities, standards of health, safety, access, or program adequacy.

   j. Demolition of facilities.

k. Recommendation that properties are surplus and can be made available for sale by the Board.

l. Closing of schools and/or adaptive re-use of facilities.

m. Major projects declared by the Superintendent to be evaluated under the CIP procedures.

7. The following projects should not be subjected to CIP procedures:

   a. Maintenance, either preventative, routine, or emergency, such as replacing a broken pipe or patching a leak in a roof.

   b. Independent purchases of equipment by schools or other units more appropriately handled through capital outlay accounts, such as 3 new TV's for a school.

   c. Vehicles other than school buses.

8. The Department of Planning will coordinate the evaluation of all projects through the CIP Team, which will then submit to the Superintendent a proposed annual capital budget and five-year program by May 1 of each year.

9. Public hearings and Board approval and/or revision would then follow.

10. In the case of emergency projects not included in the capital budget, the Superintendent will take necessary action as approved by the Board and will direct the CIP Team to recommend an appropriate budget revision.

11. Other projects not included in the capital budget may be funded only after evaluation by the CIP Team, approval by the Superintendent, and revision of the capital budget by the Board.

B. Survey of Existing Buildings

1. The Department of Planning will continue to report annually the use, capacity, and utilization of all facilities.

2. During 1983-84, a School Facilities Survey will be conducted in order to determine the physical condition and program adequacy of each building and the long-term facility needs of the district in accordance with the following:

   a. The physical condition will be evaluated by independent consultants in terms that estimate the useful life remaining, if any, of each major building component.

   b. The program adequacy will be evaluated by the various curricular and support personnel from area and central offices and by the appropriate school-level curriculum personnel with the assistance of the Department of Planning.

   c. Each evaluation will be performed using an objective set of standards expressed in a checklist format.

   d. Demographic and program projects will be developed and translated into facility needs by the Department of Planning.

3. The extensive physical condition survey will be repeated every 5 years.
4. The adequacy of facilities for academic programs will be evaluated during each respective assessment year in the adopted Curriculum Planning Cycle (Board Policy No. 6140.1).
5. The program adequacy of support facilities will be evaluated every 5 years.
6. Updates of all data will be reported annually by the staff.
7. Five-year updates of the School Facilities Survey will include a review of the district's facility standards and any necessary revisions thereto.
8. Reports will be filed in accordance with Board Policy No. 7112 and will be used as needs assessments for CIP. Specifically the reports will include ratings based upon the following:

   a. Facilities Rating

      A rating of each school plant based upon an objective, numerical index utilizing the following criteria and weights:

1.	Program adequacy	45%
2.	Physical condition	10%
3.	Needed capital improvements	10%
4.	Energy efficiency	5%
5.	Handicapped accessibility	5%
6.	Health and life-safety	10%
7.	Building security	5%
8.	Site characteristics	5%
9.	Surrounding environment	5%

b. Furnishings

A rating of the furnishings and movable equipment in each school plant based upon an objective, numerical index utilizing the following criteria and weights:

1. Program adequacy	50%
2. Physical condition	40%
3. Adequacy for the handicapped	10%

9. Any consultant fees associated with these evaluations should be funded under capital project funds.

C. Status of Previously Approved Projects

1. The CIP Team, coordinated by the Director of Planning, will file monthly status reports of previously approved projects with the Superintendent.
2. Quarterly reports with impact analysis will be presented by the Team to the Superintendent.
3. An annual summary report, developed by the CIP Team, will be filed by the Superintendent to the Board.

D. Evaluation of Project Requests

1. The CIP Team will evaluate each requested project into one of the following four categories: essential, desirable, acceptable, or deferrable.

Essential projects are of the highest priority and meet one or more of the following criteria:

a. Needed to alleviate existing health or safety hazard.
b. Required by law or court mandate immediately.
c. Critical to save the structural integrity of a building or to repair significant structural deterioration.

d. Needed to house existing program that has no place to be housed currently.

e. Part of a previously approved project phased over two or more fiscal years.

f. Provides access to education for children lacking access currently.

g. Provides facilities for critically needed new programs.

h. Needed to correct a major inequity in existing facilities.

i. Needed to improve utilization of buildings rated at "critical" or "severe" levels of utilization.

j. Needed to correct a major inadequacy of facilities to support curricular programs going into the implementation year of the Board's adopted Curriculum Planning Cycle.

k. Needed to acquire land identified as a site for a facility that will be "essential" in the future and where land will be unavailable or too costly during a later fiscal year.

l. Evaluated as "desirable" and can easily and efficiently be completed as part of a predominantly "essential" project.

Desirable projects are of the second highest priority and meet one or more of the following criteria:

a. Will be "essential" in a future fiscal year.

b. Will reduce annual operating and maintenance costs to an extent justifying the expenditures of the capital request.

c. Will improve the appearance or efficient operation of an existing facility.

d. Will improve the functioning of an existing program.

e. Will improve the condition of a non-critical component of a facility.

f. Needed to house new programs of second priority.

g. Needed to support a program that will generate enough revenue to pay for the project's capital, operating, and maintenance costs.

h. Needed to improve the utilization of a building rated as "overcrowded" to the "appropriate" level.

i. Needed to improve existing access to education.

Acceptable projects are projects that are not absolutely required by the school district in the foreseeable future but that are adequately conceptualized so that funding may be considered if surplus funds are available.

Deferrable projects are projects that are postponed or eliminated from consideration because they pose serious questions of need, adequate planning, or proper timing, or are referred back to schools for funding under school site or self-generated funds.

2. All projects must be properly evaluated prior to inclusion in the capital budget. In the case of emergency projects, the Superintendent will take necessary action as approved by the Board and will refer the projects to the CIP Team for recommendations of an appropriate revision in the capital budget.

3. Each year, the CIP Team will recommend to the Superintendent a capital improvements program and a capital budget

to insure that essential projects are accomplished and that as many desirable projects as possible are programmed within available funds. The Team will also report to the Superintendent its evaluation of all proposed projects, whether or not recommended for funding.

4. If available funds are insufficient to meet essential needs, the CIP Team will recommend to the Superintendent that steps be taken to increase the available capital funds. In the interim, the CIP Team will recommend a priority list among essential projects.
5. Desirable and acceptable projects shall not be programmed before outstanding essential needs.

E. Financial Analysis

1. The Division of Finance and Auxiliary Services will provide monthly reports to the Director of Planning for transmittal to the CIP Team. These reports will indicate cash flow and differences between budgeted amounts and actual costs.
2. If early projects are costing more than the budgeted amounts, the CIP Team will report to the Superintendent the results of their analysis as to why the cost overruns occurred and will recommend a prioritization of the remaining approved projects to preserve the integrity of the overall budget.
3. If surplus funds are remaining after all encumbrances have been subtracted, the CIP Team may recommend budget revisions to fund additional essential and desirable projects.

4. The CIP Team will recommend to the Superintendent needed changes in the budgeting and estimating processes when so indicated by significant differences between budgeted and actual costs.

F. Budget Adoption

1. The process for budget adoption shall be as follows:
   a. Superintendent recommends to the Board annually in June a fiscal-year capital budget and a five-year capital improvements program to which the budget is pursuant.
   b. The Board formally receives the documents.
   c. Public hearings are advertised and held.
   d. The Board adopts the proposal, including both the fiscal year capital budget and the five-year capital improvements program, or revisions thereof.

2. Additional capital projects not included in the approved budget must be evaluated through the CIP Team, approved by the Superintendent, and submitted to the Board as revisions in the capital budget.

3. The public shall be made aware that projects included in future years of the CIP, but not funded in the immediate fiscal-year capital budget, will be reconsidered and evaluated annually, i.e., the future years of the CIP are plans to deal with projected conditions. However, all changes in projected activities shall be justified to the Board when proposed.

G. Monitoring Implementation

1. The CIP Team is responsible for the implementation of the capital projects approved in the adopted capital budget and for reporting progress to the Superintendent for transmittal to the Board.
2. The CIP Team will also monitor changing conditions in order to consider if budget revisions are necessary.
3. An annual progress report will be filed with the Superintendent for transmittal to the Board and the public when new fiscal-year capital budgets are proposed.

H. Public and Staff Participation

1. Citizens and employees may propose capital projects by submitting their proposals directly to the Director of Planning.
2. Parents, teachers, and other persons may propose projects through school site planning and/or budgeting committees.
3. Opportunities for public review and hearings will be afforded prior to Board approval of budgets and CIP plans.

IV. CONCLUSIONS

Capital Improvements Programming (CIP) methodologies are widely recognized as responsible tools for public and private organizations to use in order to improve their physical assets in a way that is both programmatically adequate and fiscally sound. This paper proposes a CIP technique for the New Orleans Public Schools. The adoption of the proposals described herein would greatly improve the District's performance relative to adopted Support Goals, would facilitate attainment of Program Goals, and would generate greater public and school-level confidence in central decision making.

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